

Message Text

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72

ACTION PM-07

INFO OCT-01 ARA-16 ISO-00 AID-20 MC-02 ACDA-19 L-03 EB-11

IGA-02 SS-20 SP-03 OMB-01 TRSE-00 CIAE-00 INR-11

NSAE-00 RSC-01 COME-00 DRC-01 SSO-00 INRE-00 /118 W

----- 098094

O P 162138Z AUG 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 2158

SECDEF WASHDC IMMEDIATE

INFO JCS WASHDC PRIORITY

CSAF WASHC PRIORITY

USCINCSO PRIORITY

USAFSO PRIORITY

C O N F I D E N T I A L QUITO 5433

E.O. 11652: GDS

TAGS: MASS, EC

SUBJECT: A-37B LETTER OF OFFER

REF: A. QUITO 5284; B. QUITO 5349; C. SECDEF 6651 (161250Z AUG 74)

1. WE READ WITH SOME DISMAY SECDEF 6651 (161250Z AUG 74), WHICH GIVES ALL THE REQUISITE DEADLINES FOR THE ECUADOREANS ACCEPTING THE USG'S LETTER OF OFFER ON CESSNA A-37B'S, BUT NO INDICATION ABOUT WHEN THE LETTER OF OFFER MIGHT BE FORTHCOMING, OR EVEN THE BASIC INFORMATION THAT THE ECUADOREANS WILL NEED (I.E. PRICE AND AVAILABILITY) IN ORDER TO ACCEPT OR REJECT IT.

2. WITHOUT REHEARSING ALL THE GORY DETAILS, IT SHOULD BE CLEAR THAT IN THIS FIRST MAJOR FMS SALE (WHICH THE GOE HAS REPEATEDLY TOLD US IT WISHES TO BE ON A GOVERNMENT-TO-GOVERNMENT BASIS), THE ECUADOREANS ARE CERTAINLY GOING TO BEGIN SUSPECTING SOMETHING AKIN TO COLLUSION ON THE PART OF THE USG AND CESSNA IN ORDER TO PERSUADE THE GOE TO GO THE DIRECT-BUY ROUTE. IN SHORT, WE ARE CONFIDENTIAL

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TELLING THE GOE THAT THEY HAVE TO MAKE UP THEIR MINDS

BY AUGUST 31, BUT IT IS NOW THE 16TH, AND WE STILL DON'T KNOW WHEN WE WILL BE ABLE TO GIVE THEM A LETTER OF OFFER. THEY MUST BE WONDERING WHETHER THEY SHOULD EITHER ACCEPT CESSNA'S (IN THE PERSON OF VP FRYE) PRESSURE TACTICS, OR RISK LOSING A RELATIVELY GOOD PRICE, FINANCING, AND DELIVERY TIMES BY WAITING TIL THE LAST MINUTE FOR THE USG TO COME THROUGH.

3. EMBASSY WISHES TO MAKE CLEAR THAT IT REALIZES WHAT THE PROBLEMS IN WASHINGTON ARE; WE GATHER THAT CESSNA HAS NOT YET PROVIDED THE NECESSARY DATA TO DOD, AND WE ALSO ACCEPT THAT DOD WILL WISH TO ADHERE TO MINIMUM REVIEW STANDARDS BEFORE THE USG COMMITS ITSELF TO PRESENTATION OF A FORMAL LETTER OF OFFER TO THE GOE. WE ACCEPT THAT THIS PUTS INTO QUESTION THE ABILITY OF EVEN THE USG TO MEET THE AUGUST 31 DEADLINE, LET ALONE GET GOE ACCEPTANCE. ON THE OTHER HAND, WE HOPE IT IS NOT FORGOTTEN THAT GOE APPROVAL CANNOT BE AUTOMATIC EITHER. THEY MUST ARRANGE THEIR OWN PORTION OF THE FINANCING, AND MOD ALMEIDA HAS TOLD US THAT HE NEEDS OUR LETTER OF OFFER SOONEST SO THEY CAN APPROACH BANKS FOR COMMERCIAL LOANS. THERE WILL UNDOUBTEDLY HAVE TO BE OTHER FORMAL STEPS, INCLUDING POSSIBLE CABINET-LEVEL CONCURRENCE, PRESIDENTIAL APPROVAL, ETC. AS A MATTER OF COURTESY, IT IS GROSSLY UNFAIR TO PRESENT THE GOE WITH A LETTER OF OFFER ON AUGUST 28TH AND ASK THEIR APPROVAL BY AUGUST 30TH. WE BELIEVE SUCH A COURSE OF EVENTS COULD VERY EASILY LEAD TO A VERY UNHAPPY GOE REACTION.

4. AS A MINIMUM COURSE OF ACTION, EMBASSY REQUESTS THAT ALL POSSIBLE PRESSURE BE PUT ON CESSNA TO DISGORGE THEIR P&A FIGURES FORTHWITH, AND THAT THESE BE TELGRAPHED TO EMBASSY AS SOON AS THEY ARE AVAILABLE. CESSNA SHOULD BE TOLD THAT THEIR DELAYS, FOR WHATEVER GOOD REASON, COULD JEOPARDIZE OR AT LEAST HINDER THE NORMALIZATION OF RELATIONS BETWEEN THE USG AND ECUADOR, A SIGNIFICANT PART OF WHICH DEPEND UPON OUR ABILITY TO REBUILD OUR RELATIONSHIP WITH THE ECUADOREAN MILITARY (WHO, AFTER ALL, RUN THIS COUNTRY). IT STRETCHES
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OUR CREDULITY (AND CESSNA'S GOOD FAITH) TO BELIEVE THAT, SINCE IT HAS NOT YET MADE AVAILABLE P&A FIGURES TO DOD, CESSNA CANNOT EITHER PERSUADE ITS SUPPLIERS TO EXTEND THE AUGUST 31ST DEADLINE, OR TAKE THE CORPORATE RISK OF CONTINUING TO PROCURE LONG-LEAD ITEMS FOR A-37B PRODUCTION ON THE ASSUMPTION THAT FURTHER ORDERS WILL BE FORTHCOMING. INDEED, FRYE HIMSELF REVEALED THAT "THE CHILEAN ORDER IS IN THE BAG", AND A "MASSIVE"

USAF PURCHASE WAS ANTICIPATED.

5. EMBASSY RECOMMENDS THAT USAF REPRESENTATIVE HAND-CARRY A LETTER OF OFFER FOR BOTH NORTHROP F-5'S AND CESSNA A-37B'S (IF AVAILABLE) TO QUITO AS SOON AS POSSIBLE, BUT THAT AS A MINIMUM, WE BE ADVISED TELEGRAPHICALLY AS SOON AS THE DATA IS AVAILABLE TO DOD, SO WE CAN INFORMALLY PASS IT TO THE GOE/FAE FOR PRELIMINARY STUDY. ECUADOR HAS EVINCE NO INTEREST IN USG-PROVIDED CREDIT FINANCING, SO A DSAA VISIT DOES NOT APPEAR NECESSARY AT THIS TIME.
BREWSTER

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Message Attributes

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